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June 5, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Mark Ridley-Thomas
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES URBAN LEAGUE, INC., CITY OF POMONA
CONTRACT REVIEW – A COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER – FISCAL
YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Los Angeles Urban League, Inc., City of Pomona (Urban League – Pomona or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Urban League – Pomona, a non-profit corporation, to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. The Agency provides occupational skills training, job placement and career planning to participants residing in the First District.

Urban League – Pomona is compensated on a cost reimbursement basis and has a contract for \$620,484 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether Urban League – Pomona complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

Urban League - Pomona provided program services to eligible participants and maintained sufficient control over its business operations. However, the Agency did not:

- Complete Individual Employment Plans for two (10%) of the 20 participants sampled as required.
- Accurately report the participant's program activities onto the Job Training Automation system for one (5%) of 20 participants sampled as required.
- Meet two (25%) of the eight FY 2008-09 second quarter planned performance outcomes as required by the County contract.
- Allocate their shared facility space costs on an equitable basis, resulting in \$1,175 in questioned costs.
- Bill CSS based on actual hours worked as required.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Urban League – Pomona and CSS on March 23, 2009. In their attached response, the Agency concurred with our findings and recommendations with one exception. Specifically, the Agency contended that their methodology of allocating shared facility costs was appropriate and equitable. However, they were unable to provide support or justification for billing CSS 50% of the shared facility costs when CSS proportionate share of occupied space totaled 41% of the facility space. CSS indicated that they will work with the Agency to resolve the questioned costs and implement the recommendations.

We thank Urban League – Pomona for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Trevor Ware, Chief Operation Officer, L. A. Urban League, Inc., City of Pomona
Carl Ballton, Chairperson, L. A. Urban League, Inc., City of Pomona
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
LOS ANGELES URBAN LEAGUE, INC. – POMONA
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Los Angeles Urban League, Inc. – Pomona (Urban League – Pomona or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (54%) (10 adults and 10 dislocated workers) of the 37 participants that received services from July through November 2008 for documentation to confirm their eligibility for WIA services.

Results

All 20 participants sampled met the eligibility requirements for the WIA programs.

Recommendation

None.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (54%) participants that received services from July through November 2008.

Results

Generally, Urban League – Pomona provided the services in accordance with the County contract. However, Urban League – Pomona did not complete Individual Employment Plans (IEP) for two (10%) of the 20 participants sampled as required by WIA Bulletin IB-DWA-00-008 SNB-004. Specifically, the Agency did not document the need for supportive services on the participants' IEPs even though the participants were

provided with supportive services. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals. Subsequent to our review, Urban League – Pomona completed the two participants' IEPs as required.

In addition, Urban League – Pomona did not accurately report one participant's program activities onto the Job Training Automation (JTA) system as required by WIA Directive LACOD-WIA D908-38. Specifically, Urban League – Pomona reported that the participant received supportive services. However, based on our review of the participant's case file, the participant did not receive supportive services. The JTA system is used by the State of California Employment Development Department (EDD) and the Department of Labor to track WIA participants' activities. Subsequent to our review, Urban League – Pomona updated the JTA system to accurately reflect the participant's program activities.

Recommendations

Urban League - Pomona management:

- 1. Ensure that staff complete the Individual Employment Plan as required.**
- 2. Ensure that staff accurately update the Job Training Automation system to reflect participant program activities.**

PERFORMANCE OUTCOMES

Objective

Determine whether Urban League – Pomona met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the Agency's Fiscal Year (FY) 2008-09 actual performance outcomes for the second quarter to the planned performance outcomes outlined in the FY 2008-09 County contract.

Results

Urban League – Pomona did not meet two (25%) of the eight planned performance outcomes for FY 2008-09 second quarter. Specifically, Urban League – Pomona planned to train two adults as of December 31, 2008. However, the Agency trained only

one adult. In addition, Urban League – Pomona planned to train two dislocated workers as of December 31, 2008. However, the Agency trained only one dislocated worker.

Recommendation

3. Urban League – Pomona management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for October 2008.

Results

Urban League – Pomona maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Urban League – Pomona's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and September 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Generally, Urban League – Pomona's Cost Allocation Plan was prepared in compliance with the County contract. However, Urban League – Pomona did not always allocate the shared facility space on an equitable basis as required. Specifically, Urban League – Pomona billed Community and Senior Services (CSS) for 50% of their shared space costs, totaling \$6,587 for July and September 2008, instead of allocating the expenditures on an equitable basis as required by Part C, Section 2.0 of the Auditor-Controller Contract Accounting and Administration Handbook. CSS' proportionate share based on the percentage of dedicated space totaled \$5,412 (41%), resulting in an over-billing of \$1,175. A similar finding was also noted during the prior year's monitoring review.

Recommendations

Urban League – Pomona management:

- 4. Repay CSS \$1,175.**
- 5. Ensure that shared program expenditures are appropriately allocated on an equitable basis.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 22 non-payroll expenditure transactions billed by Urban League – Pomona for July and September 2008, totaling \$14,474.

Results

Urban League – Pomona's expenditures were allowable and supported by documentation as required. However, as previously indicated, Urban League – Pomona did not always allocate the shared facility space on an equitable basis as required.

Recommendation

Refer to Recommendation 5.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Urban League – Pomona maintained sufficient internal controls over its business operations. However, Urban League – Pomona did not always comply with WIA and County contract requirements. Specifically Urban League – Pomona's:

- Personnel policies and procedures manual did not include a policy on Child/Elder Abuse Prevention Reporting as required by Part II, Section 9.1 of the County contract.
- Procurement policy did not require three documented price quotes for purchases over \$1,000 as required by WIA Directive D-DWA-00-037. Specifically, the Agency's procurement policy required two documented price quotes for purchases over \$5,000.

Similar findings were also noted during prior years' monitoring reviews. Subsequent to our review, Urban League – Pomona revised the Agency's procurement and personnel policies and procedures manuals to comply with WIA and County contract requirements.

Recommendations**Urban League – Pomona management:**

6. **Ensure the Agency's personnel policies and procedures manual is in compliance with the County contract and distributed to personnel.**
7. **Ensure the Agency's procurement policies and procedures manual is in compliance with regulatory guidelines and distributed to staff.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Urban League – Pomona's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of ten items purchased with WIA funds, totaling \$41,969.

Results

Urban League – Pomona used the equipment purchased with WIA funds for the WIA programs and the assets were safeguarded.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether the Agency obtained criminal record clearances and verified employability for the employees assigned to the WIA programs.

Verification

We traced the payroll expenditures invoiced for eight employees totaling \$23,669 for September 2008 to the Agency's payroll records and time reports. We also interviewed one staff member and reviewed the personnel files for five employees assigned to the WIA programs.

Results

Urban League – Pomona obtained criminal record clearances and verified employability for the five employees sampled. However, the Agency did not always bill CSS payroll expenditures based on actual hours worked as required by Part B, Section 3.1 of the Auditor-Controller Contract Accounting and Administration Handbook. Specifically, Urban League – Pomona billed CSS for the second pay period based on estimates using a percentage of hours worked from the first pay period.

According to Agency management, they use estimated hours for the second pay period in order to submit their monthly invoices to CSS within the established timeframe. However, Urban League – Pomona does not adjust the subsequent months' invoices to reflect the actual hours worked in the previous months.

Although the difference between the billed and actual payroll expenditures was immaterial for the month sampled, Urban League – Pomona management should ensure that payroll expenditures are billed based on actual hours worked not estimated amounts as required. A similar finding was also noted during prior years' monitoring reviews.

Recommendation

- 8. Urban League – Pomona management ensure that payroll expenditures are based on actual hours worked.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoices for the WIA Adult and Dislocated Worker programs reconciled to the Agency's financial accounting records.

Verification

We traced Urban League – Pomona's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred from January to June 2008.

Results

Urban League – Pomona's FY 2007-08 general ledgers reconciled to the Agency's final close-out invoices for FY 2007-08.

Recommendation

None.



Los Angeles Urban League

April 2, 2009

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Yoon Bae

Subject: Response to Pomona fiscal and administrative contract compliance review
Fiscal Year (FY) 2008-09

Ms. Bae,

Attached are LAUL's responses to the draft audit findings letter recently received. If you have any questions regarding our responses please contact me directly for clarification.

Thank you,

Kyla Lee
Controller
Los Angeles Urban League

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Billed Services/Client Verification

Recommendations:

1. Ensure that staff complete the Individual Employment Plan as required
2. Ensure that staff accurately updates the Job Training Automaton system to reflect the participants' program activities.

Management Response:

1. The Case Manager will complete the IEP's for each participant making certain to include documentation for all services provided
2. The MIS Manager will ensure the JTA system is updated to reflect participants' program activities on a monthly basis.

Performance Outcomes

Recommendations:

3. Ensure that planned performance outcomes are met as required by the county Contract

Management Response:

3. The management team is confident the performance outcomes will be met by the end of the contract year.

Cost Allocation Plan

Recommendations:

4. Repay CSS \$1,175
5. Ensure that shared program expenditures are appropriately allocated on an equitable basis

Management Response:

4. Management has submitted the MOU between LAUL and Goodwill to CSS for their review and approval of the current space allocation plan. The MOU indicates the shared space is to be allocated 50/50; management contends this methodology appropriately allocates the space on an equitable basis.
5. The management team will ensure future allocation plans are adequately supported and appropriately allocate expenditures on an equitable basis.

Administrative Controls/Contract Compliance

Recommendations:

6. Ensure that the Agency's personnel policies and procedures manual are in compliance with the County contract and distributed to personnel.

7. Ensure that the Agency's procurement and policies and procedure manual is in compliance with regulatory guidelines and distributed to staff

Management Response:

6. Management has developed the Child/Elder Abuse policy which will be implemented and communicated to staff.
7. Management has updated the Agency's procurement policy and will ensure the process is followed by staff.

Payroll and Personnel

8. Pomona management bill CSS based on actual expenditures incurred or ensure that the estimated payroll expenditures are adjusted in the subsequent months' invoices to reflect the actual hours worked in the previous months.

Management Response:

8. Management will ensure estimated payroll expenditures are adjusted to reflect actual payroll worked.